

## Message Text

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ACTION ARA-10

INFO OCT-01 EA-07 ISO-00 INT-05 COME-00 OPIC-03 CIAE-00

INR-07 NSAE-00 L-03 H-02 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 PRS-01

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 6846

INFO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EINV, EMIN, PFOR, PE, JA

SUBJECT: MARCONA - GOP ATTEMPTS TO REVIVE THE JAPANESE  
CONNECTION

REF: LIMA 7687

1. JAPANESE EMBASSY COUNSELOR RIKIWO SHIKAMA CALLED ON DCM  
SEPTEMBER 16 PRIMARILY TO DISCUSS MARCONA. HE SAID THAT  
FOREIGN MINISTER DE LA FLOR CALLED JAPANESE AMBASSADOR  
TO MINISTRY A FEW DAYS AGO TO ASK THAT AMBASSADOR  
CONVEY TO HIS GOVERNMENT SERIOUSNESS WITH WHICH GOP REGARDED  
MARCONA PROBLEM, IN PARTICULAR THE UNWILLINGNESS OF JAPANESE  
BUYERS TO STRIKE SEPARATE BARGAINS WITH HIERROPERU FOR THE  
PURCHASE OF IRON ORE. SHIKAMA SAID HE WAS SOMEWHAT SUR-  
PRISED TO FIND THAT, DESPITE RECENT CHANGES IN GOP, FOREIGN  
MINISTER HIMSELF DID NOT REFLECT MORE MODERATE LINE  
ON MARCONA ISSUE AND TALKED MUCH AS HE HAD BEFORE THE OUSTER OF VELAS  
CO.

2. SHIKAMA SAID THAT HE SUBSEQUENTLY MET WITH FOREIGN MINISTRY  
OFFICIALS, AMBASSADOR JOSE CARLOS MARIATEGUI (FORMER  
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GOP AMBASSADOR TO JAPAN) AND MINISTER WALTER STUBBS OF

ECONOMIC AFFAIRS, TO GIVE THEM HIS PERSONAL VIEW OF MATTER IN ORDER, AS HE PUT IT, TO AVOID ANY MISUNDERSTANDING OR "CREDIBILITY GAP" BETWEEN PERUVIAN AND JAPANESE FOREIGN MINISTRIES. SHIKAMA SAID HE EXPLAINED THAT MARCONA PROBLEM IS NOT A POLITICAL PROBLEM AS DE LA FLOR IMPLIED, BUT AN ECONOMIC PROBLEM. JAPANESE GOVERNMENT IS NOT IN A POSITION TO INFLUENCE ACTIONS OF JAPANESE STEEL INDUSTRY, WHICH IS IN PRIVATE SECTOR. MOREOVER, WERE THE JAPANESE STEEL INDUSTRY TO BUY ORE FROM HIERROPERU, MARCONA WOULD IN ALL PROBABILITY BRING SUIT IN JAPANESE COURTS. ALTHOUGH PRECEDENT INDICATED THAT MARCONA WOULD LOSE THE SUIT, IT WOULD BE AT LEAST TWO OR THREE YEARS BEFORE MARCONA EXHAUSTED ITS RECOURSE TO THE JAPANESE LEGAL SYSTEM. IN THE MEANTIME, NO ORE WOULD MOVE. SHIKAMA SAID THAT AMBASSADOR MARIATEGUI INDICATED THAT HE UNDERSTOOD THE JAPANESE POSITION THOROUGHLY, BUT THAT STUBBS BECAME EXCITED AND TRIED TO FOLLOW SAME LINE OF POLITICAL ARGUMENTATION AS THE FOREIGN MINISTER.

3. DCM NOTED THAT TEAM FROM HIERROPERU AND THE PERUVIAN STATE SHIPPING COMPANY (CPV) IS NOW REPORTEDLY IN JAPAN FOR TALKS WITH JAPANESE STEEL COMPANIES. SHIKAMA SAID HE WAS AWARE OF THIS AND THAT HE ALSO HAD REASON TO BELIEVE THAT TEAM IS HEADED BY AUGUSTO PRICE, PRESIDENT OF MINPECO. HE SAID JAPANESE HAD TRIED TO DISCOURAGE TEAM FROM MAKING TRIP, AND, WHILE THEY WOULD BE RECEIVED POLITELY, JAPANESE WOULD INFORM THEM THAT THEY COULD DO NO BUSINESS WITH THEM.

4. WE HAVE ALSO BEEN INFORMED BY CANADIAN EMBASSY THAT CANADIAN FIRM HAS INQUIRED AS TO POSSIBILITY OF BUYING ORE FROM HIERROPERU. WHEN INFORMED BY EMBASSY OF POSSIBILITY THAT IN THIS EVENT MARCONA WOULD TAKE LEGAL ACTION, FIRM RESPONDED THAT THIS PUT POSSIBILITY OF SALE IN ENTIRELY DIFFERENT LIGHT AS FAR AS IT WAS CONCERNED.

5. COMMENT: BARGAINING POSITION OF GOP WOULD BE CONSIDERABLY IMPROVED WERE THEY ABLE TO REINSTATE EVEN A PORTION OF HIERROPERU'S SALES--SO FAR HIERROPERU HAS BEEN SUCCESSFUL IN "SELLING" ONLY 35,000 TONS TO ROMANIA WITH A CONSEQUENT LOSS TO PERU OF AN ESTIMATED \$15 MILLION IN LIMITED OFFICIAL USE

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FOREIGN EXCHANGE AND \$10 MILLION IN OPERATING EXPENSES TO DATE. HOWEVER, WE FIND DE LA FLOR'S ACTION IN CALLING IN THE JAPANESE AMBASSADOR IN MARKED CONTRAST TO ATTITUDE OF PRESIDENT MORALES BERMUDEZ AND MINES MINISTER LA VERA WHO WE BELIEVE ARE SINCERE IN THEIR EXPRESSIONS TO US OF THEIR DESIRE TO SEE PROBLEM SOLVED. HOPEFULLY, COLD JAPANESE RECEPTION TO PERUVIAN OVERTURE MAY INDUCE EVEN HARDLINERS IN GOP TO FAVOR MORE CONCRETE PROPOSALS AT THE

BARGAINING TABLE.

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